Supreme Court, U.S.
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No. 83-421

IN THE

Supreme Court of the United States

OCTOBER TERM, 1983

CONSOLIDATED X-RAY SERVICE CORPORATION,
Petitioner,

v.

FORREST BUGHER, *et al.*,
Respondents.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Fifth Circuit

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RESPONDENTS' BRIEF IN OPPOSITION

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QUESTIONS PRESENTED

I. Whether the Congressional grant of authority to employee pension and welfare fund trustees in Sections 502 and 515 of the Employee Retirement Income Security Act of 1974, as amended, to sue for and collect delinquent contributions in Federal District Court, should be judicially subordinated to an arbitration clause in a Collective Bargaining Agreement between other parties, especially where, as here, the factual circumstances between the Union and the delinquent employer would necessarily preclude the trustees from performing their duties to collect such delinquent contributions, all to the detriment of plan participants and their beneficiaries, and thereby cause a consequent loss of individual pension benefits.

II. Whether a union is required to exhaust contractual grievance and arbitration procedures, before instituting litigation to recover delinquent working dues deductions, where the collective bargaining agreement with the employer specifically provides that "the Union may take appropriate economic and/or legal sanctions," concerning such dispute.

III. Whether the Court below abused its discretion in awarding attorneys' fees to the Respondent, International Union of Operating Engineers Local No. 2, AFL-CIO.

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RESPONDENTS' BRIEF IN OPPOSITION

The respondents Forrest Bugher, et al., respectfully request that this Court deny the petition for writ of certiorari, seeking review of the Fifth Circuit's opinion in this case.

OPINIONS BELOW

The opinion of the United States Court of Appeals for the Fifth Circuit is reported at 705 F.2d 1426. A copy of the Court's Opinion is attached hereto as Appendix A. The Judgment of the District Court and the District Court's Memorandum of Opinion, which is reported 515

F. Supp. 1180, is attached hereto as Appendix B. The Order of the United States Court of Appeals for the Fifth Circuit denying the petitioner's application for re-hearing, and suggestion for re-hearing en banc, are attached hereto as Appendix C.

STATUTES INVOLVED

This case involves Sections 301 and 302 of the National Labor Relations Act, 29 U.S.C. Sections 185 and 186 (1976 and Supp. III, 1979), but primarily Sections 502 and 515 of the Employee Retirement Income Security Act of 1974, as amended, 29 U.S.C. Sections 1132 and 1145 (1976 and Supp. V 1981). These statutory provisions are set forth in the attached Appendix D.

STATEMENT OF THE CASE

Petitioner, Consolidated X-Ray Service Corporation (hereinafter referred to as "Consolidated"), is an employer engaged in the business of non-destructive testing, which primarily consists of the use of radiography and other methods to determine the strength and integrity of welds and other metallic articles. In 1971, 1974 and 1977, Consolidated entered into Collective Bargaining Agreements with the Respondent, International Union of Operating Engineers, Local No. 2, AFL-CIO (hereinafter referred to as the "Local Union"). Each Agreement specified that it was to cover all employees engaged in field non-destructive testing, with the exception of certain categories of work which were excluded during the later two contracts.

Each of these Collective Bargaining Agreements contained a specific and unconditional agreement on the part of Consolidated to make contributions to the Respondents, Forrest Bugher, Richard Wren, Reese Hammond, J. A. McMahon, A. W. McIntyre, Hailey Roberts, John E.

Cullerton and Richard Dennis, in their capacity as Trustees of the Central Pension Fund of the International Union of Operating Engineers and Participating Employers (hereinafter referred to as "Pension Fund Trustees"), as well as to Carl B. Pratt, Vergil Belfi, John Faust and Harold D. Huhn, in their capacity as Trustees of the Health and Welfare Fund of Local 2, International Union of Operating Engineers (hereinafter referred to as "Welfare Fund Trustees"). Such contributions were to be submitted to the Pension and Welfare Fund Trustees in specified amounts on a monthly basis. The Agreements also required Consolidated to deduct Union working dues from the paychecks of each employee who had authorized same, and remit such dues to the Local Union on a monthly basis.

Each Collective Bargaining Agreement also contained an elaborate and detailed grievance and arbitration procedure, which contained a specific definition of which matters were to be considered arbitrable by the parties as follows:

> "For the purposes of this Agreement, a "grievance" shall mean a dispute arising *between the parties to this Agreement or between any employee or employees covered by this Agreement and the company* as limited to or by the terms and conditions of this Agreement, . . ." (Emphasis Supplied)

The grievance and arbitration provisions of the Collective Bargaining Agreements went on to provide that any grievance must initially be taken up by an employee with their immediate supervisor within 72 hours of the occurrence grieved, or be forever forfeited. The contracts further provided for three additional steps to be taken within specified periods of time, prior to the actual invocation of arbitration. Failure to comply with any of these time limits would also serve to declare the grievance forfeit against the alleged defaulting party.

Consolidated also entered into two (2) separate Participating Agreements with the Pension Fund Trustees. By the specific terms of these Participating Agreements Consolidated reaffirmed its agreement to submit contributions to the Pension Fund Trustees, expressed its cognizance of the terms and conditions of the Agreement and Declaration of Trust pertaining to such Fund, and acknowledged Consolidated's agreement to be bound to each and every such provision, but such agreements contained no arbitration clause. Each such Participating Agreement constituted an independent Agreement with the Pension Fund Trustees, and therefore fully enforceable in Federal Court pursuant to 29 U.S.C. §§ 185, 1132 and 1145.

In 1976 auditors for the Respondents commenced an audit of Consolidated's payroll books and records, to determine whether or not Consolidated had properly complied with the fringe benefit provisions of its Collective Bargaining Agreements with the Local Union, as well as whether or not Consolidated had made proper payment of dues deductions required to be paid to the Local Union. Based upon the results of this audit, the Respondents made demand of Consolidated for payment of delinquent fringe benefit contributions and working dues pertaining to the period February 20, 1971 through and including December 31, 1975, reimbursement for the Respondent's audit expenses, as well as interest and liquidated damages assessments, as authorized in the Trust Agreements governing the Funds' administration.

Due to Consolidated's failure to submit payment as requested by the Respondents, or to submit any documentation that would support a claim of error in the Respondents' auditors' computations, Respondents initiated litigation in the United States District Court for the Northern District of Texas to recover from Consolidated the delinquent fund contributions and delinquent dues remittances. Jurisdiction was asserted under § 301 of the

National Labor Relations Act, and § 502 of the Employee Retirement Income Security Act of 1974, as amended. The Respondents' Complaint specifically alleged that Consolidated had violated the fringe benefit and working dues provisions of the Collective Bargaining Agreements entered into with the Local Union, and accordingly, the Respondents sought an award of all delinquent Pension and Health and Welfare Fund contributions determined to be due and owing the Pension and Welfare Fund Trustees, as well as all delinquent working dues deductions due the Local Union, plus an award of pre-judgment interest and liquidated damages, in addition to reimbursement for the Respondents' audit expenses and attorneys' fees incurred in connection with the prosecution of the action.

Consolidated defended against the claims of the Respondents on the basis of a battery of affirmative defenses, which included an allegation that the Pension and Welfare Fund Trustees had failed to implore the Union to initiate the grievance and arbitration provisions contained in the Collective Bargaining Agreements, and that therefore the claims of said Trustees were forever barred. In addition, Consolidated claimed that the failure of the Union to likewise exhaust or attempt to exhaust the grievance and arbitration procedures barred their claims against Consolidated.

Following a non-jury trial, the District Court held that the Respondents were entitled to all the relief sought in their Complaint. In addition, the Court ordered that Consolidated submit to an additional accounting to determine any additional amounts that may be due and owing the Respondents, pertaining to the period of time subsequent to December 31, 1975.

In its opinion of June 2, 1981, the District Court recognized that the controversy between the parties was "essentially based on differing interpretations of the cov-

erage clauses of the Collective Bargaining Agreements." The Court went on to find, however, that the interpretations utilized by the Defendant's representatives in the preparation of their rebuttal audit were contradicted by the clear and unambiguous language of the Collective Bargaining Agreements, while the auditors for the Respondents correctly followed the relevant provisions of the Agreements in preparing their report. Accordingly, the District Court accepted the findings set forth in the Respondents' audit report, and rejected the contentions of Consolidated as to the alleged issues of coverage of the Collective Bargaining Agreements.

Consolidated appealed the District Court's Judgment to the United States Court of Appeals for the Fifth Circuit, which in an Opinion dated May 31, 1983, affirmed the District Court in all respects. The Court of Appeals specifically found that under the clear and unambiguous language of the Collective Bargaining Agreements at issue, disputes between Consolidated and the Pension and Welfare Fund Trustees were not grievances, within the meaning of the Collective Bargaining Agreements. Accordingly, the Court held not only were the Trustees not bound to attempt to have the Local Union initiate such arbitration procedures, but that such disputes were in fact specifically excluded from the coverage of the arbitration procedures. As to the Respondent Local Union, the Court of Appeals likewise found that the clear and unambiguous language of the contracts excluded their dispute with Consolidated from the grievance and arbitration proceedings set forth in the Agreements.

Consolidated petitioned the Court for a re-hearing, and also submitted its suggestions for re-hearing en banc, which requests were denied by the Fifth Circuit in an Order dated August 12, 1983.

REASONS FOR DENYING THE WRIT

I. THE DECISION BELOW IS TOTALLY CONSISTENT WITH ALL RELEVANT PRIOR RULINGS OF THIS COURT.

In support of its Petition for a Writ of Certiorari, Consolidated has attempted to convince this Court that the ruling below is inconsistent with the prior rulings of this Court in the *Steel Workers Trilogy*, as well as *Kaiser Steel Corp. v. Mullins*, 452 U.S. 72 (1982). Such allegations are without merit, however, since the Fifth Circuit expressly relied upon the principles enunciated by this Court in the *Trilogy* as a basis for its decision, and considered the relevance of this Court's holding in *Kaiser*.

Respondents do not question the sound principles set forth by this Court in the *Steel Workers Trilogy, United Steel Workers of America v. American Manufacturing Company*, 363 U.S. 564 (1960); *United Steel Workers of America v. Warrior and Gulf Navigation Company*, 363 U.S. 574 (1960); and *United Steel Workers of America v. Enterprise Wheel and Car Corporation*, 363 U.S. 593 (1960). The *Trilogy* established the proposition that federal labor policy favors the enforceability of arbitration clauses, where parties have agreed to arbitration as a voluntary method of resolving their disputes, and that any doubts concerning the scope of coverage of the arbitration clauses should be resolved in favor of arbitration. However, this doctrine does have its limitations, as noted by Justice Douglas in *Warrior and Gulf Navigation Company* at page 582 ". . . a party cannot be required to submit to arbitration any dispute which he has not agreed so to submit. Yet, to be consistent with Congressional policy in favor of settlement of disputes by the parties through the machinery of arbitration, *the judicial inquiry under § 301 must be strictly confined to the question whether the reluctant party did agree to arbitrate the grievance or agreed to give the arbitrator power to make the award he made.*" (Emphasis Supplied)

In the instant action, both the trial Court and the Court of Appeals agreed that the language of the Collective Bargaining Agreements at issue was clear and unambiguous in providing that disputes of the nature involved between Consolidated and the Respondents were expressly excluded from the categories of grievances that must be submitted to the arbitration procedures set forth in the Agreements. The contracts at issue contain a very precise and specific definition of the term grievance, which does not include any dispute between the Trustees and the Petitioner.

As to the Local Union, the lower Courts were in agreement that the Local Union had never agreed to arbitrate its claim for delinquent working dues, and in fact, had expressly reserved its right to sue Consolidated and/or to take strike action concerning its claims. The fact that the Local Union reserved its right to take strike action against Consolidated expressly demonstrates the correctness of the decision below since as this Court first noted in *Teamsters Local 174 v. Lucas Flower Company*, 369 U.S. 95 (1962), an arbitration clause is generally regarded as the quid pro quo for a no strike clause. See also, *Boys Markets, Inc. v. Retail Clerks Union*, 398 U.S. 235 (1970). In the instant action it is abundantly clear that the Local Union did not agree to a no strike clause concerning its claims for delinquent working dues from Consolidated, and accordingly, under the doctrine of *Teamsters Local 174* and *Boys Markets, Inc.* it is equally clear that the Local Union has never agreed to arbitrate such disputes.

Moreover, as noted by the Courts below, the Trustees have also never agreed to arbitrate any disputes they may have with the Petitioner. The Trust instruments governing the Funds' administration specifically provide to the contrary, that any disputes between an employer, such as the Petitioner, and the Trustees are not to be subject to the grievance and arbitration mechanisms con-

tained in Collective Bargaining Agreements that may be negotiated by the Local Union. Accordingly, it can be said with positive assurance that the Respondents have never agreed to arbitrate their disputes with the Petitioner. In accordance with the reasoning of this Court in *Warrior and Gulf Navigation Company*, the Court below was totally correct in finding that the Respondents cannot be compelled to arbitrate their disputes with the Petitioner, when they expressly did not agree to do so.

In addition to alleging an inconsistency with the *Steel Workers Trilogy*, Consolidated has argued that the decision below is inconsistent with this Court's ruling in the case of *Kaiser Steel Corp. v. Mullins*, *supra*. However, upon a close and fair examination of the issues involved in *Kaiser* it becomes readily apparent that no inconsistency exists.

First, *Kaiser* involved the very narrow issue of whether a coal producer, when sued on its promise to contribute to the Trustees of a Union Welfare Fund, based upon its purchases of coal from producers not under contract with the Union, is entitled to plead and have abjudicated a defense that the underlying promise is *illegal* under the Federal antitrust and labor laws. This Court answered that issue in the affirmative, and explained that while the holding of *Lewis v. Benedict Coal Corp.*, 361 U.S. 459 (1960), may preclude the raising of certain defenses against third-party beneficiaries of Collective Bargaining Agreements, such as the Respondent Trustees herein, such doctrine did have certain limitations. Specifically, the Court in *Kaiser* noted that third-party beneficiaries to a contract could not escape a defense based upon a claim that the underlying promise itself was *illegal*, since Courts traditionally would not enforce illegal agreements.

Moreover, as noted in the case of *Lewis v. Mears*, 297 F.2d 101 (3rd Cir., 1961), cert. denied, 369 U.S. 873

(1962), the Courts would also not allow Trustees, as third-party beneficiaries, to escape defenses based upon a claim that no contract exists since this defense also goes to the enforceability of the underlying agreement. Accordingly, while *Kaiser* may have further refined the *Lewis v. Benedict Coal Corp.* doctrine, to allow the raising of certain defenses against third-party beneficiaries of Collective Bargaining Agreements, such considerations are not present in the instant action. There has never been any allegation that the underlying promise which the Respondent Trustees are attempting to enforce is illegal in any manner, or that no agreement to contribute ever existed. Therefore, it is the position of the Respondents that the ruling below is also totally consistent with this Court's ruling in *Kaiser Steel Corp. v. Mullins*, since this case does not involve any of the limitations upon the *Lewis v. Benedict Coal Corp.* doctrine as discussed above.

In its attempt to create an inconsistency where none exists, the Petitioner, at page 10 of its Petition, has materially misrepresented footnote 8 from the Court's Opinion in *Kaiser Steel Corp.* as follows:

> "Fund Trustees 'have no special status which exempt them from the general rule' that failure to attempt to exhaust mandatory grievance and arbitration provisions is a defense to an action for breach of a collective bargaining agreement." (Citation Omitted.)

What this Court really stated at footnote 8 of its opinion is as follows:

> "In this respect, Pension Fund Trustees have no special status which exempts them from the general rule that Courts do not enforce illegal contracts."

In light of the fact this Court's ruling in *Kaiser* only involved the enforceability of alleged illegal contracts by a third-party beneficiary, and in no manner involved a claim of failure to exhaust arbitration, it is obvious that

the ruling below is also consistent with the holding of *Kaiser*, since none of the factors which gave rise to this Court's holding in *Kaiser* are present in the instant action.

II. THE RULING BELOW IS LIMITED BY ITS FACTS, AND DOES NOT INVOLVE ANY SIGNIFICANT ISSUE OF FEDERAL LAW OR POLICY.

In its ruling below, the Court of Appeals was careful to note that its ruling as to the claims of the Pension and Welfare Fund Trustees was based entirely upon the specific language in the Collective Bargaining Agreements at issue. As noted by Circuit Judge Brown in the Court's Opinion:

> "We agree with the district court that the Trustees cannot be required to exhaust the grievance and arbitration procedures set forth in this collective bargaining agreement.
>
> This agreement defines a 'grievance' as 'a dispute arising *between the parties* to this Agreement or between any employee or employees covered by this Agreement and the Company. . . .' [original emphasis]. As the trial court correctly held, '[t]he two Plaintiff Funds are not parties to the collective bargaining agreements.' 515 F. Supp. at 1182. Nor are they employees covered by the agreements. The dispute between the Trustees and Consolidated is not a dispute 'between the parties' and therefore is not covered by the grievance and arbitration provisions of the contracts." (705 F.2d 1430; App. A at 7a)

As to the claims of the Local Union, the Court was also careful to note that while it was mindful of the teachings of the *Steelworkers Trilogy*, the Court was:

> ". . . convinced by the contractual language that the Union has not agreed to arbitrate its claims for delinquent working dues, regardless of whether Consolidated contends that its refusal to contribute is in some way justified.

> It is disingenuous to argue, as Consolidated does, that the clause which allows the Union to take legal action to collect unpaid working dues was meant to apply only to undisputed, acknowledged delinquencies. If that were the case, the clause would mean nothing, as the Company could always assert some reason, however specious, to justify its nonpayment. If a delinquency were truly undisputed, moreover, one assumes that legal action would not be necessary at all.
>
> The district court correctly held that the Union was not compelled to arbitrate this particular issue." (705 F.2d 1434; App. A at 16a)

As demonstrated by these quotations, it is clear that the ruling below is merely one of contract interpretation, which does not conflict with any fundamental principals of Federal Labor policy or any Federal Laws. The ruling below only affects other employers who may be signatory to these particular Collective Bargaining Agreements and not a large number of potential litigants. Therefore, the ruling below is limited by its facts and does not involve any significant issue of Federal Law or Policy which would merit review by this Court.

III. THE RULING BELOW DOES NOT CONFLICT WITH ANY RULINGS OF ANY OTHER CIRCUIT COURT.

In its Petition, Consolidated has argued that the ruling below is flatly inconsistent with the Seventh Circuit's ruling in the case of *Central States, Southeast and Southwest Areas Pension Fund v. Howard Martin Inc.*, 625 F.2d 171 (7th Cir., 1980). However, the instant matter is significantly distinguishable from the *Howard Martin* case, based upon the material facts. First, in *Howard Martin* the Court noted that it was faced with a very broad arbitration clause which provided that "all grievances or questions of interpretation be referred to arbitration before legal action is commenced . . . The existence of the obligation to make certain payments depends

upon interpretation of the contract and the contract specifically requires arbitration on questions of interpretation." 625 F.2d at 172.

As noted above, in the instant action the contracts at issue contain no such provision. The Collective Bargaining Agreements before this Court contain an elaborate and detailed grievance and arbitration procedure, which also contains a very specific and narrow definition as to which grievances the parties have agreed to submit to arbitration. In this instance, the contracting parties have agreed to *only* submit disputes *between the contracting parties*, and specifically excluded from coverage of the arbitration procedures those disputes which may involve the Pension and Welfare Fund Trustees, or the Local Union's claim concerning Consolidated's failure to remit working dues.

In addition, as noted by the Court of Appeals below, both the Pension Fund and the Welfare Fund Trust Agreements specifically authorize the Trustees to directly and expeditiously pursue delinquent employers through Federal Court proceedings as contemplated by Congress in enacting 29 U.S.C. § 1145. Neither trust instrument requires the Trustees to first request the Local Union to initiate grievance and arbitration procedures that may be set forth in Collective Bargaining Agreements negotiated by Local Unions, nor has either group of Trustees agreed to specifically do so. In fact, both trust instruments provide expressly to the contrary.

Secondly, the Courts below agreed that the relevant provisions of the Collective Bargaining Agreements were clear and unambiguous, and therefore, no bona fide issue as to coverage of the Agreements, or any other issue, existed for an arbitrator to resolve. Accordingly, the Courts below found this case to be a simple collection case, which did not require any prior interpretation by an arbitrator before the case could be resolved, not unlike the case before the Court in *Trustees of National Benefit Fund for Hospital and Health Care Employees v. Con-*

stant Care Community Health Center, Inc., 669 F.2d 213 (4th Cir., 1982).

As the *Howard Martin* Court noted, not all simple collection cases warrant arbitration as a prerequisite to litigation. See, *Central States, Southeast and Southwest Area Pension Fund v. Howard Martin, Inc., supra,* at 172. The *Howard Martin* Court merely held that where a bona fide issue of contract interpretation exists, and where the arbitration clause fairly encompasses such dispute, then arbitration may be a prerequisite to litigation. As noted above, the Courts below did not find either of these facts present in the instant action, and accordingly, correctly held that the Respondents were not required to initiate arbitration procedures prior to the commencement of this action.

In summary, both Courts were correct in holding that the applicable contract language is clear and unambiguous in providing that the disputes in question are non-arbitrable, and that no bona fide issue of interpretation exists, and accordingly, that the instant action is factually distinguishable from the case before the Seventh Circuit in *Howard Martin,* and before this Court in the cases of *Schneider Moving and Storage Co. v. Robbins, et al.,* Cause No. 82-1860 and *Prosser's Moving and Storage Co. v. Robbins, et al.,* Cause No. 82-1862. Therefore, no conflict with the Seventh Circuit exists, since the Court's rejection of the reasoning of the *Howard Martin* Court was merely *dicta,* and not the *ratio decidendi* of the Court's decision.

IV. THE RULING BELOW AFFIRMING AN AWARD OF ATTORNEYS' FEES TO THE RESPONDENT LOCAL UNION HAS AMPLE SUPPORT IN THE RECORD.

In its Petition Consolidated has also argued that the ruling below affirming the award of attorneys' fees to the Respondent Local Union was improper, based upon Con-

solidated's allegation that the Trial Court improperly found bad faith on the part of the Petitioner. Consolidated would leave this Court with the impression that the finding of bad faith in the ruling below was solely premised upon Consolidated's refusal to supply certain records to the auditors for the Respondents. As noted by the Court of Appeals below, however, the Trial Court found a number of elements of bad faith.

First, the Trial Court found that Consolidated intentionally refused to submit proper contributions to the Funds as required by the Collective Bargaining Agreements. In addition, the Trial Court noted that Consolidated had been engaged "in a cat and mouse game" by which the Union "tried to enforce the written contract as best it could in the face of Defendant but was not always successful." Thirdly, the Court found that representatives of Consolidated had committed fraudulent concealment by representing that its reports of contributions to the Respondents were full and complete, when in fact they had knowledge to the contrary. All of the foregoing findings are in addition to the finding that Consolidated had hobbled the Respondents' efforts to audit Consolidated's records by refusing to turn over certain reports and contracts. (705 F.2d 1436-37; App. A at 21a)

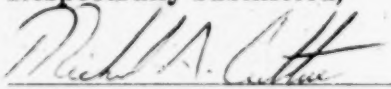
Moreover, it should be noted that the documents Consolidated refused to produce were not payroll records pertaining to employees it contended were not covered by the Agreements, but primarily documents it alleged would support its claim of error in the Respondents' auditors' report. Accordingly, the Sixth Circuit's ruling in *Central States Southeast and Southwest Areas Pension Fund v. Central Transport, Inc.*, 698 F.2d 802 (6th Cir., 1983), cert. filed, 52 U.S.L.W. 3005 (U.S. July 2, 1983) (No. 82-2157), is inapplicable to the instant action, and Consolidated's reliance on such ruling is misplaced. Consolidated has never contended that the documents in question pertained to non-covered employees, but merely work performed by its technician employees for which it contended

it was not obligated to remit payments to Respondents. Notwithstanding this claim, Consolidated chose not to produce such documents during discovery, nor at the trial of this cause. Accordingly, there can be little doubt that the Courts below properly found bad faith on the part of Consolidated, and awarded attorneys' fees to the Respondent Local Union, even in the event this Court were to find that Consolidated's refusal to present such records was somehow justified.

CONCLUSION

For the foregoing reasons, and based upon the authorities cited herein, the Petition for a Writ of Certiorari to the United States Court of Appeals for the Fifth Circuit should be denied.

Respectfully submitted,



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APPENDICES

APPENDIX A

UNITED STATES COURT OF APPEALS
FIFTH CIRCUIT

No. 81-1349

FORREST BUGHER, *et al.*,
Plaintiff-Appellee,

v.

CONSOLIDATED X-RAY SERVICE CORPORATION,
Defendant-Appellant.

May 31, 1983

Appeal from the United States District Court
for the Northern District of Texas

Before BROWN, RANDALL and TATE, Circuit Judges.

JOHN R. BROWN, Circuit Judge:

This case arises under § 301 of the National Labor Relations Act (NLRA), 29 U.S.C. § 185, and § 502 of the Employee Retirement Income Security Act (ERISA), 29 U.S.C. § 1132. Allied as plaintiffs and appellees are Local Number 2 of the International Union of Operating Engineers (Union), the Trustees of the Union's Central Pension Fund (Pension Trustees)[1], and the Trustees of the Health and Welfare Fund of Local Number 2 (Welfare Trustees)[2]. The Trustees and the Union filed suit in federal district court, alleging that Consolidated X-Ray

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[1] The Pension Trustees are Forrest Bugher, Richard Wren, Reese Hammond, J.A. McMahon, A.W. McIntyre, Hailey Roberts, John E. Cullerton, and Richard E. Dennis.

[2] The Welfare Trustees are Carl B. Pratt, Vergil Belfi, John Faust and Harold B. Huhn.

Service (Consolidated) had deliberately failed to contribute to the Funds and to deduct union working dues in the amounts agreed to under collective bargaining agreements. Consolidated replied with a battery of affirmative defenses, but to no avail, as the district court, after trial, held in favor of the Trustees and the Union.[3]

Consolidated contends on appeal that the district court erred (i) in concluding that the Trustees and the Union were not required to exhaust the grievance and arbitration provisions of the collective bargaining agreements, (ii) in finding that Consolidated had an enforceable obligation to contribute to the Pension and Welfare Funds, and (iii) in awarding attorneys' fees to the plaintiffs and in awarding interest of 10% compounded annually. As we find no error, we affirm the judgment of the district court.

Consolidated is in the business of "non-destructive testing"—the use of radiography and other methods to determine the strength and integrity of welds and metalic structures. In 1971, 1974, and 1977, it signed collective bargaining agreements with the Union, the coverage of which is more narrowly defined with each succeeding agreement. Each agreement, however, covers "all employees" engaged in "field non-destructive testing" for Consolidated, with certain categories of employees excluded under the later contracts.[4]

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[3] *Bugher v. Consolidated X-Ray Service Corporation*, 515 F.Supp. 1180 (N.D. Tex. 1981).

[4] 1971 agreement provides:

> This Agreement shall apply to and cover all employees engaged in field non-destructive testing.

The 1974 agreement provides:

> This Agreement shall apply to and cover all employees engaged in field non-destructive testing, excluding Alaska, Nuclear Power Plants and visual inspection.

[Footnote Continued]

Each collective bargaining agreement required Consolidated to contribute to the Pension and Welfare Funds in specified amounts for each covered employee. The agreements also required Consolidated to deduct Union working dues for each employee and remit those to the Union.[5]

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[4] [Continued]

The 1977 agreement provides:

> This Agreement shall apply to and cover all employees engaged in field pipeline or pipeline-related non-destructive testing including all employees who furnish rigs and equipment in the performance of services; excluding Alaska, Nuclear Power Plants, laboratory work and that work considered in the industry as "City" or "call-out" work; and the Company recognizes the Union as the exclusive bargaining agent for all such employees.

[5] The successive collective bargaining agreements called for contributions by Consolidated in the following amounts:

Central Pension Fund: Effective February 17, 1971, 15 cents per hour for each hour worked by bargaining unit employees employed more than 31 days, that figure to increase to 20 cents per hour as of February 17, 1973. In 1974 the language was changed somewhat and payment set at 30 cents per hour, increasing to 40 cents per hour in 1975, 50 cents per hour in 1976, and remaining at that level through the end of the 1977-1980 contract.

Welfare Fund: Effective April 1, 1971, $31.00 per month for each month or major part thereof worked by bargaining unit employees employed more than 31 days. In 1974, the amount was changed to $42.00 per month, rising to $47.00 per month in 1975. In 1977, the rate and manner of payment was changed to 45 cents per hour for covered employees, up to a maximum of 40 hours, with the amount increasing to 50 cents per hour in 1978.

Union Working Dues: As of February 7, 1971, dues were to be deducted and remitted to the Union at the rate of 10 cents per hour worked, increasing to 15 cents per hour in 1972. The rate of 15 cents per hour was maintained through the 1974 and 1977 agreements.

In 1976, the Trustees and the Union conducted an audit of Consolidated's payroll books and records. In July of that year, they filed this suit. The Trustees sought recovery of delinquent fund contributions of $104,312.33. The Union sought recovery of delinquent working dues in the amount of $7,371.27. These figures were based upon the results of the audit, which covered the period from February 20, 1971 through December, 1975. The Trustees and the Union also requested attorneys' fees, audit expenses, interest, and a supplemental audit to determine the amount of any additional delinquency which had accrued since January, 1976.

Consolidated initiated a rebuttal audit, which uncovered a delinquency of only $143.00, which had been more than offset by contributions made since December, 1975. The parties agree as to the reason for the huge discrepancy between the results of the two audits. Consolidated did not contribute for non-Union employees or for Union employees who were not engaged in cross-country pipeline jobs, claiming that the contribution requirements of the agreements did not apply to such employees. The Union and the Trustees claim to the contrary.

Consolidated advanced this defense at trial. It also claimed that because this was a disagreement about the true meaning of the coverage clause, the agreements' arbitration and grievance provisions should have been invoked. By failing to do so, Consolidated argued, the Trustees and the Union had waived their claims.

The district court ruled against these and other affirmative defenses raised by Consolidated,[6] and rendered judgment in favor of the various plaintiffs. It awarded attorneys' fees, audit expenses and interest to the plain-

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[6] None of the several other affirmative defenses posed by Consolidated at trial have been raised before this court.

tiffs and ordered Consolidated to submit to a further supplementary audit.[7]

From this judgment Consolidated appeals.

I. Bound to Arbitrate?

The Pension and Welfare Trustees

The collective bargaining agreements set forth grievance and arbitration procedures to be followed in resolving certain disputes arising under those agreements. Under those procedures, an individual employee is required first to take his complaint to his immediate supervisor. If the grievance is not thereby resolved, it must be reduced to writing and forwarded to the Union and the Company, which must attempt to resolve it. If they fail to do so, the grievance must be referred to the top officials of the Union and the Company. If those officials cannot reach an agreement, the problem may then, and only then, be submitted to arbitration. Grievances initiated by the Union itself are subject to this process, although the first step is omitted.

Under the contract, failure to meet specified time limits works a forfeiture of the grievance. The Union retains final authority to proceed with a dispute or to decline to do so.[8]

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[7] The court ordered payment to the plaintiffs in the following amounts:

Pension Fund ($63,114.33, less $3,272.40 credit)	
Pension Fund	$59,841.93
Welfare Fund	$41,198.00
Working Dues	$ 7,371.27
Audit Expenses	$11,554.66
Attorney's Fees	$39,375.00

[8] The collective bargaining agreement states:

ARTICLE XIV

Adjustment of Disputes and Arbitration

(1) Definition: For the purposes of this Agreement, a "grievance" shall mean a dispute arising between the parties to this Agreement

Consolidated claims that the question of whether particular employees are covered by the agreement is a dispute which invokes the grievance and arbitration procedures. Although the district court recognized that "[t]he

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or between any employee or employees covered by this Agreement and the Company as limited to or by the terms and conditions of this Agreement,

* * * *

(4) Grievances or disputes as defined in this Article shall be handled in the following manner:

(a) Employees shall take up any grievance with their immediate supervisor within seventy-two (72) hours of the occurrence.

(b) If the grievance cannot be resolved, employee shall reduce the grievance to writing and forward one (1) copy to the Union and one (1) copy to the Company. The Company and the Union are required to attempt to resolve the grievance within five (5) days after step one (1) has been completed. If the grievance cannot be resolved at this step, the grievance will be referred to the top officials of the Company and the Union within ten (10) days thereafter. Grievances initiated by the Union shall be commenced as set out above in Step two except for the first sentence.

(c) If the grievance cannot be settled at the second step, the grievance may be submitted to arbitration within thirty (30) days.

(5) Failure of either party to comply with the time limits set forth above will serve to declare the grievance forfeit against the defaulting party. The time limits set forth above may be extended only by written mutual agreement.

At any step in the foregoing grievance, the authorized official of the Union shall have the final authority with respect to any aggrieved employee covered by this Agreement to decline to process the grievance further if, in the judgment of such officials, the grievance lacks merit or lacks jurisdiction under the terms of this Agreement or has been adjusted or justified under the terms of this Agreement to the satisfaction of the Union.

ARTICLE XV

Grievance Procedure

(1) Any grievance that cannot be settled between the employees, the Union or the Company in accordance with the provisions of the foregoing Article and sections may be submitted to an independent arbitrator . . . .

differences between the two audits are essentially based on differing interpretations of the coverage clauses of the Collective Bargaining Agreements," *Bugher v. Consolidated X-Ray Service Corp.*, 515 F.Supp. 1180, 1184 (N.D. Tex. 1981), it concluded that the Trustees could not be required to exhaust the grievance and arbitration procedures, as the collective bargaining agreements contain no provision specifically requiring funds to do so and "without specific provision in a collective bargaining agreement, welfare and pension funds should not be compelled to arbitrate their grievances with employers." [footnote omitted] 515 F.Supp. at 1182.

We agree with the district court that the Trustees cannot be required to exhaust the grievance and arbitration procedures set forth in this collective bargaining agreement.

This agreement defines a "grievance" as "a dispute arising *between the parties* to this Agreement or between any employee or employees covered by this Agreement and the Company . . ." [emphasis added]. As the trial court correctly held, "[t]he two Plaintiff Funds are not parties to the collective bargaining agreements."[9] 515 F.Supp. at 1182. Nor are they employees covered by the agreements. The dispute between the Trustees and Consolidated is not a dispute "between the parties" and therefore is not covered by the grievance and arbitration provisions of the contracts.

In reply to this argument, Consolidated cites *Central States, Southeast and Southwest Areas Pension Fund v. Howard Martin, Inc.*, 625 F.2d 171 (7th Cir. 1980), in which the plaintiff trustees' collection suit was held to have properly been dismissed on the grounds that the trustees were required to exhaust contractually man-

[9] Consolidated does not dispute this finding, nor could it, as the funds neither negotiated nor signed the collective bargaining agreements.

dated arbitration provisions. *Howard Martin* is not to the point, however. The decision in *Howard Martin* was founded upon article 8 of that particular contract, "which requires that all grievances or questions of interpretation be referred to arbitration before legal action is commenced. . . . [T]he existence of the obligation to make certain payments depends upon interpretation of the contract and the contract specifically requires arbitration on questions of interpretation." 625 F.2d at 172. This contract contains no such provision. Moreover, nothing in *Howard Martin* indicates that the grievance and arbitration procedure was specifically reserved, by definition, for disputes "between the parties," as it is here. Here the Trustees are not parties. The disagreement between Consolidated and them over the meaning of the coverage clause is not a grievance and need not be funneled through arbitration.

In addition, both the Pension Trust Fund instrument and the Health and Welfare Trust Fund instrument (as amended in 1975) authorize the Trustees to go directly to court to pursue delinquent employer contributions. The Pension Fund instrument provides,

> Section 4. DEFAULT IN PAYMENT. Nonpayment by an Employer of any contributions when due shall not relieve any other Employer of his obligation to make payments. In addition to any other remedies to which the parties may be entitled, an Employer in default for ten working days may be required at the discretion of the Trustees to pay such reasonable rate of interest as the Trustees may fix on the monies due to the Trustees from the date when the payment was due to the date when payment is made, together with all expenses of collection incurred by the Trustees. The Trustees may take any action necessary enforce payment of the contributions due hereunder, including, but not limited to, proceedings at law and in equity.

The Health and Welfare Fund instrument provides,

> 3. 13 *Delinquency.* The Trustees shall notify an Employer, in writing, who is a party to this Trust agreement and who becomes delinquent in his payments, of the fact that said delinquency exists. In the event that any payment due from an Employer is delinquent and the Employer, after having been notified as hereinabove provided, continues to maintain its delinquency, the Trustees may, at their discretion, bring suit for collection of all amounts due and owing and if such is brought, the Employer shall be liable, in addition to its delinquency, for Court costs, reasonable attorneys fees and liquidated damages in the amount of ten percent (10%) of the delinquent amount.

Neither instrument requires the Trustees to follow the collective bargaining agreements' grievance and arbitration procedures before taking legal action, nor has either group of Trustees agreed to do so.

In *Bricklayers, Masons and Plasterers International Union of America, Local Union No. 15 v. Stuart Plastering Co., Inc.*, 512 F.2d 1017 (5th Cir. 1975), moreover, we stated plainly that in passing § 302 of the NLRA, Congress intended to make certain that employee fringe benefit funds were independent of union control. Congress acted "to remove [employee fringe benefit] funds from the absolute control of union officials by giving employers a coordinate responsibility for their administration." 512 F.2d at 1024. The statute flatly prohibits an employer from making payments to employee representatives, with certain clearly elucidated, strictly construed exceptions.[10] One of these exceptions is for qualified trust

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[10] § 186.

Restrictions on financial transactions
Payment or lending, etc., of money
by employer or agent to employees,
representatives, or labor organizations

[Footnote Continued]

funds which conform with the Act's requirements.[11] To

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[10] [Continued]

(a) It shall be unlawful for any employer or association of employers or any person who acts as a labor relations expert, adviser, or consultant to an employer or who acts in the interest of an employer to pay, lend, or deliver, or agree to pay, lend, or deliver, any money or other thing of value—

(1) to any representative of any of his employees who are employed in an industry affecting commerce; or

(2) to any labor organization, or any officer or employee thereof, which represents, seeks to represent, or would admit to membership, any of the employees of such employer who are employed in an industry affecting commerce; or

(3) to any employee or group or committee of employees of such employer employed in an industry affecting commerce in excess of their normal compensation for the purpose of causing such employee or group or committee directly or indirectly to influence any other employees in the exercise of the right to organize and bargain collectively through representatives of their own choosing; or

(4) to any officer or employee of a labor organization engaged in an industry affecting commerce with intent to influence him in respect to any of his actions, decisions, or duties as a representative of employees or as such officer or employee of such labor organization.

Request, demand, etc., for money or other thing of value

(b) (1) It shall be unlawful for any person to request, demand, receive, or accept, or agree to receive or accept, any payment, loan, or delivery of any money or other thing of value prohibited by subsection (a) of this section.

* * * * *

(d) Any person who willfully violates any of the provisions of this section shall, upon conviction thereof, be guilty of a misdemeanor and be subject to a fine of not more than $10,000 or to imprisonment for not more than one year, or both.

[11] § 186.

* * * * *

Exceptions

(c) The provisions of this section shall not be applicable

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(5) with respect to money or other thing of value paid to a trust fund established by such representative, for the sole and exclusive

bind the Trustees to the arbitration provisions of this contract would violate Congress' intent. To compel the Trustees to follow those procedures would place the Union in control of whether payment should in fact be demanded, in what amount, and from which employers. By carelessness or deliberate refusal to act, the Union could completely thwart the Trustees' ability to administer and ensure payments to the trust funds. Though in full possession of their fiduciary duties, the Trustees could exercise their fiduciary powers only at the Union's

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benefit of the employees of such employer, and their families and dependents (or of such employees, families, and dependents jointly with the employees of other employers making similar payments, and their families and dependents): *Provided*, That (A) such payments are held in trust for the purpose of paying either from principal or income or both, for the benefit of employees, their families and dependents, for medical or hospital care, pensions on retirement or death of employees, compensation for injuries or illness resulting from occupational activity or insurance to provide any of the foregoing, or unemployment benefits or life insurance, disability and sickness insurance, or accident insurance; (B) the detailed basis on which such payments are to be made is specified in a written agreement with the employer, and employees and employers are equally represented in the administration of such fund, together with such neutral persons as the representatives of the employers and the representatives of employees may agree upon and in the event the employer and employee groups deadlock on the administration of such fund and there are no neutral persons empowered to break such deadlock, such agreement provides that the two groups shall agree on an impartial umpire to decide such dispute, or in event of their failure to agree within a reasonable length of time, an impartial umpire to decide such dispute shall, on petition of either group, be appointed by the district court of the United States for the district where the trust fund has its principal office, and shall also contain provisions for an annual audit of the trust fund, a statement of the results of which shall be available for inspection by interested persons at the principal office of the trust fund and at such other places as may be designated in such written agreement; and (C) such payments as are intended to be used for the purpose of providing pensions or annuities for employees are made to a separate trust which provides that the funds held therein cannot be used for any purpose other than paying such pensions or annuities.

discretion. Such a situation would completely violate the Congressional directive that control of fringe benefit funds shall not rest with the unions.

Recently, in *Robbins v. Prosser's Moving & Storage*, 700 F.2d 434 (8th Cir. 1983) (en banc), the Eighth Circuit followed that reasoning to conclude that a group of fringe benefit fund trustees were not bound by the arbitration provisions of a collective bargaining agreement. In reaching that decision the court expressed skepticism that unions will necessarily readily act in the best interests of fringe benefit funds, pointing to a number of respects in which the union's and the funds' interests might diverge. The court agreed that "the union and a pension fund are both fiduciaries."

> But they represent groups and interests that only partly coincide. We conclude that the national pension policy . . ., and the rights of plan beneficiaries, can be vindicated as Congress seems to have intended only if trustees are given a direct right of access to the courts.

700 F.2d at 442.

The Eighth Circuit rejected the contrary view of the Seventh Circuit, expressed in *Howard Martin*. In *Howard Martin*, a panel of the Seventh Circuit stated,

> Lastly the Funds say they have no access to the arbitration process because Article 7 of the contract provides that arbitration may be invoked "only by the authorized Union representative or by the employer." The argument falls of its own weight, however. To trigger the arbitration process, the Funds need only inform the Union, the members of which the Funds exist to serve, that Martin disputes the coverage of certain workers and ask the Union, the organization of primary interest, to file a grievance against Martin. [Footnote omitted]

625 F.2d at 173.

We find the Eighth Circuit's analysis more persuasive. To compel the Trustees to follow the contractually mandated arbitration procedures would expose the Funds to union control.[12]

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[12] Several other courts have considered whether fringe benefit fund trustees must submit claims for delinquent employer contributions to contractually set forth arbitration procedures.

Courts have held, as we do here, that the Trustees need not exhaust grievance and arbitration procedures, in *Burke v. Adams and Ells of Ells, Inc.*, 603 F.2d 114 (9th Cir. 1979); *Trustees of National Benefit Fund for Hospital and Health Care Employees v. Constant Care Community Health Center, Inc.*, 669 F.2d 213 (4th Cir. 1982); *Wishnick v. One Stop Food & Liquor Store, Inc.*, 359 F.Supp. 239 (N.D. Ill. 1973); *Owen v. One Stop Food & Liquor Store, Inc.*, 359 F.Supp. 243 (N.D. Ill. 1973); *Todd v. Casemakers, Inc.*, 425 F.Supp. 1375 (N.D. Ill. 1977); *Central States, Southwest and Southeast Areas Pension Fund v. Gratiot Central Oil & Gas Service, Inc.*, 517 F.Supp. 811 (W.D. Mich. 1981); *O'Hare v. General Marine Transport Corp.*, 534 F.Supp. 120 (S.D.N.Y. 1981); and *Resilient Floor Decorators Insurance Fund v. Hay's Installation, Inc.*, 532 F.Supp. 829 (E.D. Mich. 1982). In *Adams and Ells*, the Ninth Circuit held that the fringe benefit fund trustees could not be compelled to arbitrate a dispute over delinquent contributions because the employer had never requested arbitration. The court explicitly did not decide "whether the district court can never compel non-signatory trustees of an employee benefit fund to arbitrate an alleged deficiency in contributions required by the collective bargaining agreement." 603 F.2d at 115. Likewise, in *Constant Care*, the Fourth Circuit found no need to decide that question. It held instead that since there was no dispute over whether contributions were owed, there was nothing for the arbitrator to decide, and arbitration could therefore not be compelled. *Wishnick* and *Owen* relied upon 29 U.S.C. § 186(c) in concluding that the trustees could not be compelled to arbitrate their claim for delinquent contributions:

> Further, Congress in enacting § 302 of the Labor Management Relations Act (29 U.S.C. § 186) intended that Welfare and Pension Funds established in accordance with that section would be independent of exclusive control by the union. Consequently, the failure of an employer to make contributions as required by an agreement is not an arbitrable dispute in the

We uphold the district court's decision on this issue, then, for three reasons. First, the Trustees are not parties to the agreements and therefore their dispute with Consolidated is not a "grievance" as defined by the contracts. Second, both the Pension and the Health and Welfare Fund instruments clearly authorize the Trustees to file suit to collect delinquent employer contributions. Neither group of Trustees has agreed instead to submit such claims to arbitration. Finally, to impose these arbitration procedures upon the Trustees would undermine the vitally important independence of the Pension and Welfare Funds.

The Union

The Union, in its suit for delinquent union working dues, is in an altogether different legal posture. It is undisputed that the Union, unlike the Trustees, is a party to the agreement. Moreover, the policies which inform § 186(c) and ERISA with regard to the protec-

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absence of a specific provision in the agreement requiring the Trustees to submit their claims to the arbitration procedure.

359 F.Supp. at 243, 359 F.Supp. at 246.

The holding and rationale of *Wishnick* were cited with approval in *Casemakers, Gratiot Central Oil & Gas Service, and General Marine Transort Corp.* They were cited disapprovingly in *Resilient Floor*, in which specific provisions of the collective bargaining agreement allowed the Trustees to file suit for delinquent contributions without having to resort to arbitration.

Trustees were compelled to submit to arbitration in *Farmer v. Fisher*, 586 F.2d 1226 (8th Cir. 1978); *Layne Western Co., Inc. v. International Union of Operating Engineers, AFL-CIO, Local Union No. 513*, 650 F.2d 155 (8th Cir. 1981); and *IBEW, Local Union No. 308 v. Dave's Electric Service, Inc.*, 382 F.Supp. 427 (M.D. Fla. 1974). Although generally in accord with the position taken by the Seventh Circuit in *Howard Martin*, none of these cases considered the implications of Union control over the Trustees' access to the arbitration process. *Farmer* and *Layne-Western* were overruled by the Eighth Circuit in *Rollins, supra.* [sic]

tion and independence of trust funds simply do not apply to the Union's cause of action. Therefore, its dispute with Consolidated over the meaning of the coverage clause is at least an arguable grievance. We find, however, that the Union's claim need not have been referred to arbitration.

As did the district court, we reach this conclusion by examining the express provisions of the collective bargaining agreements. Although they outline grievance and arbitration procedures, they also authorize direct legal action by the Union to redress the company's deliberate failure to remit union working dues.

> The deliberate failure or refusal by an employer to make deduction and/or remittance of dues as herein provided, following approval by the membership and upon appropriate authorization shall constitute a gross breach of contract in consequence of which the Union may take appropriate economic and/or legal sanctions.

It is true that arbitration is generally favored as a matter of federal labor policy. The Steelworkers Trilogy, *United Steelworkers of America v. American Manufacturing Co.*, 363 U.S. 564, 80 S.Ct. 1343, 4 L.Ed.2d 1403 (1960); *United Steelworkers of America v. Warrior & Gulf Navigation Co.*, 363 U.S. 574, 80 S.Ct. 1347, 4 L.Ed.2d 1409 (1960); *United Steelworkers of America v. Enterprise Wheel & Car Corp.*, 363 U.S. 593, 80 S.Ct. 1358, 4 L.Ed.2d 1424 (1960). See also *Nodle Brothers, Inc. v. Local No. 358*, 430 U.S. 243, 97 S.Ct. 1067, 51 L.Ed.2d 300 (1977). Nor is arbitration defeated by the fact that the meaning of a disputed clause seems "clear and unambiguous." See *Bugher*, 515 F.Supp. at 1184. "The collective agreement calls for the submission of grievances in the categories which it describes, irrespective of whether a court may deem them to be meritorious." *American Manufacturing*, 363 U.S. at 567, 80 S.Ct. at 1346, 4 L.Ed.2d at 1406.

As Justice Douglas pointed out in *Warrior & Gulf Navigation Co.*, 363 U.S. at 582, 80 S.Ct. at 1353, 4 L.Ed.2d at 1417, however, "a party cannot be required to submit to arbitration any dispute which he has not agreed so to submit." We are convinced by the contractual language that the Union has not agreed to arbitrate its claims for delinquent working dues, regardless of whether Consolidated contends that its refusal to contribute is in some way justified.

It is disingenuous to argue, as Consolidated does, that the clause which allows the Union to take legal action to collect unpaid working dues was meant to apply only to undisputed, acknowledged delinquencies. If that were the case, the clause would mean nothing, as the Company could always assert some reason, however specious, to justify its nonpayment. If a delinquency were truly undisputed, moreover, one assumes that legal action would not be necessary at all.

The district court correctly held that the Union was not compelled to arbitrate this particular issue.

II. Enforceable Obligation to Contribute?

Consolidated argues also that the Trustees failed to prove the existence of written trust instruments which conform to the stringent requirements of § 186.[13] It con-

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[13] The requirements for a qualified trust fund, set forth in § 186(c)(5) are concisely summarized in *Stuart Plastering*.

> Section 302(c)(5), on the other hand, specifically requires that employee payments must not only be held in trust, but that "the detailed basis on which such payments are to be made" must be "specified in a written agreement with the employer." Moreover, the written agreement must provide a mechanism for resolving possible disputes between the employee representative trustees and their employer counterparts. The written agreement must also provide for an annual audit of the trust fund. Finally, under § 302(d), payments earmarked for pension benefits must be segregated from payments intended for any other

tends that the plaintiffs must prove the existence of such instruments in order to establish an enforceable obligation to contribute to the funds.[14] Consolidated claims, therefore, that the evidence at trial was insufficient to support the trial court's finding of an enforceable obligation to contribute on Consolidated's part.

In claiming that the Trustees failed to shoulder their evidentiary burden, Consolidated relies upon language from *Stuart Plastering*. ". . . [T]he burden of establishing a qualifying trust fund must be met by the employee organization representative." 512 F.2d at 1026. According to Consolidated, this language requires the Union and the Trustees to establish the funds' compliance with all aspects of § 186(c) as a prima facie element of a collection suit. Failure to do so destroys the cause of action.

By taking this phrase out of context, Consolidated has utterly misconstrued its meaning. In that portion of *Stuart Plastering*, we were discussing the Union's obligation to set up the trust fund in conformance with statutory requirements. By no stretch of the legal imagination were we referring to the Union's evidentiary burden of proof in establishing its claim in a court of law.

Stuart Plastering is readily and easily distinguishable from this case. In *Stuart Plastering*, the plaintiffs ad-

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proper purpose, and a separate trust fund must be established for the purpose of safeguarding pension benefits.

512 F.2d at 1026.

[14] The Health and Welfare Trust Fund instrument was not presented as evidence in the district court, although 1975 amendments to the instrument were. While the Pension Trust Fund instrument does appear in the record, Consolidated claims that it is in several ways inadequate to fulfill the standards of § 186(c)(5). Specifically, Consolidated argues that its Pension Fund participating agreement has expired. It also contends that the Pension Fund instrument, by providing for the payment of trustees' expenses, does not properly segregate funds, and that the instrument allows the Union to control the fund by empowering the Union president to remove and replace Union-appointed Trustees.

mitted that there was no written trust fund agreement. The trust fund plainly did not conform to the letter of § 186(c). More importantly for our case, that nonconformity was raised and argued before the district court.

The courts will not enforce an illegal collective bargaining agreement provision which obligates an employer to contribute to a fund which does not strictly meet § 186(c)(5)'s requirements. Any such alleged illegality, however, must be raised before the district court. F.R. Civ.P. 8(c) provides, in pertinent part,

> Affirmative Defenses. In pleading to a preceding pleading, a party shall set forth affirmatively accord and satisfaction, arbitration and award, assumption of risk, contributory negligence, discharge in bankruptcy, duress, estoppel, failure of consideration, fraud, illegality, injury by fellow servant, laches, license, payment, release, res judicata, statute of frauds, statute of limitations, waiver, and any other matter constituting an avoidance or affirmative defense.

Although phrased in the language of insufficiency of evidence, Consolidated's complaint about the adequacy of the trust fund instruments is in fact a claim that under § 186 the collective bargaining agreements are illegal and hence unenforceable. Yet Consolidated did not question the legality of the agreements' contribution provisions in the district court. We decline to consider that issue now for the first time, on appeal.[15]

Attorneys Fees

The trial court awarded the plaintiffs attorneys' fees of $39,375, stating,

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[15] If in fact the funds did not conform to § 186(c)(5)'s requirements, Consolidated would be subject to criminal penalties under 29 U.S.C. § 186(d) for those contributions which it has made. Consolidated has not chosen to explore in detail this possible ramification of its argument.

> Plaintiffs have prayed for attorneys' fees and other costs. The court concludes that under 29 U.S.C. § 1132(g) and its equitable powers, that it can, and it should, award the attorneys' fees, interest and costs, including auditors' fees, requested by the plaintiffs and stipulated to be reasonable by the defendant in full.

515 F.Supp. at 1185.

Consolidated questions that award. It claims that § 1132(g) (§ 502 of ERISA)[16] does not warrant the re-

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[16] At the time of trial, in 1979, 29 U.S.C. § 1132(g) provided:

Attorney's fees and costs

(g) In any action under this subchapter by a participant, beneficiary, or fiduciary, the court in its discretion may allow a reasonable attorney's fee and costs of action to either party.

As amended in 1980, it provides:

Attorney's fees and costs; awards in actions involving delinquent contributions

(g)(1) In any action under this subchapter (other than an action described in paragraph (2)) by a participant, beneficiary, or fiduciary, the court in its discretion may allow a reasonable attorney's fee and costs of action to either party.

(2) In any action under this subchapter by a fiduciary for or on behalf of a plan to enforce section 1145 of this title in which a judgment in favor of the plan is awarded, the court shall award the plan—

(A) the unpaid contributions,

(B) interest on the unpaid contributions,

(C) an amount equal to the greater of-

(i) interest on the unpaid contributions, or

(ii) liquidated damages provided for under the plan in an amount not in excess of 20 percent (or such higher percentage as may be permitted under Federal or State law) of the amount determined by the court under subparagraph (A),

[Footnote Continued]

covery of attorneys' fees because ERISA's standards do not govern acts or omissions which occurred before January 1, 1975. 29 U.S.C. § 1144.[17] Consolidated argues that the bulk of the delinquency awarded to the Trustees arose before that date and that the plaintiffs cannot be

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[16] [Continued]

(D) reasonable attorney's fees and costs of the action, to be paid by the defendant, and

(E) such other legal or equitable relief as the court deems appropriate. For purposes of this paragraph, interest on unpaid contributions shall be determined by using the rate provided under the plan, or, if none, the rate prescribed under section 6621 of Title 23.

Section 1145, adopted in 1980, states:

§ 1145. Delinquent contributions

Every employer who is obligated to make contributions to a multiemployer plan under the terms of the plan or under the terms of a collectively bargained agreement shall, to the extent not inconsistent with law, make such contributions in accordance with the terms and conditions of such plan or such agreement.

This suit was brought and tried before the advent of § 1145 and the amendment of § 1132(g), but was decided after that time. Since the action was not one to enforce § 1145, we presume that the court relied upon its discretionary authority rather than the mandate of the new § 1132(g)(2). In this case, where attorneys' fees were awarded and where there was no abuse of discretion, both subsections lead to the same result on the issue of the propriety of the attorneys' fees award.

[17] 29 U.S.C. § 1144 provides, in pertinent part:

Supersedure; effective date

(a) Except as provided in subsection (b) of this section, the provisions of this subchapter and subchapter III of this chapter shall supersede any and all State laws insofar as they may now or hereafter relate to any employee benefit plan described in section 1003(a) of this title and not exempt under section 1003(b) of this title. This section shall take effect on January 1, 1975.

Construction and application

(b)(1) This section shall not apply with respect to any cause of action which arose, or any act or omission which occurred, before January 1, 1975.

awarded fees and costs incurred in pursuing those particular pre-1975 claims. Consolidated does not question ERISA jurisdiction in this case nor does it question the fact that attorneys' fees are awardable under ERISA.

We reject Consolidated's argument that ERISA does not justify the award of attorneys' fees to the Trustees in this case. Section 1132(g) provides for an award of attorneys' fees when a valid ERISA delinquency claim is made and won. Here we have the successful prosecution of a claim for an ongoing deficiency. ERISA does not require that the attorney's endeavors be split into time spent in pursuit of the pre-1975 delinquency and time spent in pursuit of the post-1975 delinquency. To require such a division would be to require an impractical, if not an impossible task.

Of course, ERISA does not justify any award of attorneys' fees to the Union. In that regard, however, the district court correctly relied on its equitable powers. In *Alyeska Pipeline Service Co. v. Wilderness Society*, 421 U.S. 240, 95 S.Ct. 1612, 44 L.Ed.2d 141 (1975) the Supreme Court recognized that equity allows an award of attorneys' fees "when the losing party has 'acted in bad faith, vexatiously, wantonly, or for oppressive reasons . . .'" [Citations omitted]. 421 U.S. at 258-59, 95 S.Ct. at 1622, 44 L.Ed.2d at 154. Consolidated argues that here the district court made no specific finding that Consolidated acted in "bad faith, vexatiously, wantonly, or for oppressive reasons."

Consolidated relies upon the words and not upon their meaning. While the court did not use the phrase "bad faith," its finding in that regard was clear. The court held that Consolidated refused to contribute to the funds as required by the agreement. It concluded that before 1977 the Union and Consolidated had been engaged "in a cat and mouse game" by which the Union "tried to enforce the written contract as best it could *in the face of Defendant* but was not always successful." [emphasis in original] 515 F.Supp. at 1184. It found that Consoli-

dated had hobbled the plaintiffs' efforts to audit Consolidated's records by refusing to turn over certain reports and contracts. It found Consolidated to have committed fraudulent concealment by representing that its reports of contributions were full and complete. These conclusions meet the "bad faith" standard set forth in *Alyeska*. Consolidated alleges no abuse of discretion in this regard and we find none.

III. The Interest Issue

[11] The court assessed interest

> [F]rom the date each delinquent monthly contribution came due, at the rate of 10 percent per annum, compounded annually for the audit period of February 20, 1971 through December 31, 1975, together with all costs of Court incurred, and with interest at the aforesaid rate, from the date of entry of this Judgment until satisfaction or execution thereof.

Consolidated objects to that figure, arguing that under 28 U.S.C. § 1961, before its amendment in 1982, interest should have been set in accordance with Texas law at 6% per annum for prejudgment and 9% per annum for postjudgment interest. We find no merit in this argument. The court's award was proper under F.R.Civ.P. 54(c) and the express terms of the trust fund instruments.[18]

We find no error on the part of the district court.

AFFIRMED.

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[18] The Pension Fund trust instrument provides,

> ". . . [A]n Employer in default for ten working days may be required at the discretion of the Trustees to pay such reasonable rate of interest as the Trustees may fix on the monies due to the Trustees from the date when the payment was due to the date when the payment is made. . . ."
>
> The 1975 amendment to the Agreement and Declaration of Health and Welfare Trust provides, in the case of delinquency, for ". . . liquidated damages in the amount of ten percent (10%) of the delinquent amount."

APPENDIX B

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

CA-3-76-0929-C

FORREST BUGHER, RICHARD WREN, REESE HAMMOND, J.A. MCMAHON, A. W. MCINTYRE, HAILEY ROBERTS, JOHN E. CULLERTON and RICHARD DENNIS, as Trustees of the CENTRAL PENSION FUND OF THE INTERNATIONAL UNION OF OPERATING ENGINEERS AND PARTICIPATING EMPLOYERS, and CARL B. PRATT, VERGIL BELFI, JOHN FAUST and HAROLD B. HUHN, as Trustees of the HEALTH AND WELFARE FUND OF LOCAL 2, INTERNATIONAL UNION OF OPERATING ENGINEERS and INTERNATIONAL UNION OF OPERATING ENGINEERS, LOCAL NO. 2, AFL-CIO

VS.

CONSOLIDATED X-RAY SERVICE CORP.

OPINION

W. M. TAYLOR, JR., District Judge.

Defendant entered into contracts with Plaintiff Local Union 2 in 1968, 1971, 1974, 1977 and 1980 in which it agreed to pay sums to the Plaintiff Trustees on behalf of some of its employees and to withhold union dues from its union employees and remit them to the Plaintiff Local, all sums to be paid on a regular basis.

Plaintiffs contend that Defendant has not paid all sums due and that because of this deficiency, they have had to conduct one audit of Defendant's books and must conduct another so as to discover Defendant's liability.

The Court finds jurisdiction under the National Labor Relations Act, 29 U.S.C. § 185 and Employee Retirement Income Security Act of 1974, 29 U.S.C. § 1132.

Defendant is a Nevada corporation whose principal place of business is in Dallas, Texas. It is in the business of conducting nondestructive testing in laboratories and in the field. It does conduct its business in interstate commerce.

Plaintiff I.U.O.E. Local 2 is a labor organization based in St. Louis, Missouri. It represents employees engaged in nondestructive testing in all states of the Union.

The other two Plaintiffs are a pension fund and a health and welfare fund benefiting the members of the Plaintiff Union. The Plaintiff Funds are third-party beneficiaries of agreements entered into by Local 2 and various employees [sic] engaged in non-destructive testing, including the Defendant.

Plaintiff Local and Defendant have entered into a series of three-year collective bargaining agreements. The first covered 1968-71. The second from 1971 to 1974. The third from 1974 to 1977. The fourth term 1977 to 1980. The fifth and current, from 1980 until 1983.

Defendant also agreed to make contributions to the Plaintiff Pension Fund in a Participating Agreement signed in 1971.

Each of the collective bargaining agreements stated the coverage of the agreement in the first article of the agreement.

The first agreement that we are concerned with here is the 1971-1974 agreement. Article I of that agreement specified:

> This agreement shall apply to and cover all employees engaged in field nondestructive testing.

Article I of the 1974-1977 agreement was changed to read:

> This agreement shall apply to and cover all employees engaged in field nondestructive testing, excluding Aleska, [sic] Nuclear Power Plants and visual inspection.

The language of Article I of the 1977-1980 agreement was changed significantly. It read:

> This agreement shall apply to and cover all employees engaged in field pipeline, or pipeline related nondestructive testing including all employees who furnish rigs and equipment in the performance of services; excluding Aleska, [sic] Nuclear Power Plants, laboratory work and that work considered in the industry as "city" or "call-out" work; and the Company recognizes the Union as the exclusive bargaining agent for all such employees.

In these collective bargaining agreements and in the pension fund participating agreements. Defendant agreed to deduct contributions to the two Plaintiff funds and dues to the Plaintiff Union.

Plaintiffs charge that Defendant failed to properly deduct these contributions and dues and remit them to the respective Plaintiffs in accord with the coverage of the three respective Articles I.

Defendant's principal defenses are:

1) All sums have been properly paid,

2) Plaintiffs are barred from suit because of either the applicable Statute of limitations or laches, and

3) Plaintiffs must submit this dispute to arbitration.

These contentions shall be discussed in reverse order.

Arbitration

It is clear that the two Plaintiff Funds are not parties to the collective bargaining agreements. They are, at

most, third-party beneficiaries of those agreements. The collective bargaining agreements do contain arbitration clauses, but the participation agreements do not contain arbitrative clauses. The collective bargaining agreements do not specifically require the Plaintiff Funds to arbitrate any grievances that they may have with the Defendant. As has been held before, Section 302 of the Labor-Management Relations Act, 29 U.S.C. § 186, mandates that welfare and pension funds should be controlled by the union and that without specific provisions in a collective bargaining agreement, welfare and pension funds should not be compelled to arbitrate their grievances with employers.[1] So the Plaintiff Funds need not submit their claims to arbitration and are properly before this Court.

Though Plaintiff Union is bound to arbitrate various grievances that it may have with Defendant, this is not one of those grievances.

Article VII, section (1) of the 1970 [sic] agreement, Article VI, section (1) of the 1974 agreement and Article VI, section (1) of the 1977 agreement all end with the same last sentence. That sentence reads:

> The deliberate failure or refusal by an employer to make deduction and/or remittance of dues as herein provided, following approval by the membership and upon appropriate authorization shall constitute a gross breach of contract in consequence of which the Union may take appropriate economic and/or legal sanctions.

As Plaintiff Union contends that Defendant has deliberately failed or refused to deduct and remit dues, it is clear that under this language of the agreements, that it could either strike or sue Defendant and it has chosen to sue.

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[1] See *Owen v. One-Stop Food and Liquor Store*, 359 F.Supp. 243 (N.D. Ill., 1973).

Statute of Limitations or Laches

Each of the contracts that the Parties have entered into are written and are therefore governed by Article 5527 of Vernon's Annotated Texas Civil Statutes.[2] But the limitations period is inconsequential in this case as it has been tolled by the actions of the Defendant.

Each of the Collective Bargaining Agreements required Defendant to report and remit the withheld dues and fund contributions on a regular basis. Defendant's officers and employees did make the required reports.

Those report forms contained a certification clause which reads as follows:

> We certify that this report is a true and complete report of the hours worked by employees represented in collective bargaining by the local union shown above and such other employees as may be approved by the board of trustees but in no event includes any other employees, owners, partners or proprietors of this firm.

Plaintiffs' central contention is that there were additional hours worked by employees covered by the collective bargaining agreement that were not reported and

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[2] Art. 5527 read at the time of the filing of this Civil Action:

There shall be commenced and prosecuted within four years after the cause of action shall have accrued, and not afterward, all actions or suits in court of the following description:

1. Actions for debt where the indebtedness is evidenced by or founded upon any contract in writing.

2. Actions for the penalty or for damages on the penal clause of a bond to convey real estate.

3. Actions by one partner against his co-partner for a settlement of the partnership accounts, or upon mutual and current accounts concerning the trade or merchandise between merchant and merchant, their factors or agents; and the cause of action shall be considered as having accrued on a cessation of the dealings in which they were interested together.

for which dues and fund contributions were not remitted. Plaintiffs are saying that these certifications were false and misleading.

In Texas Law, this is fraudulent concealment which tolls a statute of limitations. See *Atlantic Richfield Co. vs. CRA, Inc.* 430 F.Supp. 1299 (N.D. Tex., 1975). A directly comparable situation to the present one was presented in *Seymour v. Hull and Moreland Engineering*, 418 F.Supp. 190 (C.D., Cal., 1976). That Court held that that employer was in a position of trust and confidence as to the trustees of those funds and that the breach of trust by the employer tolled the pertinent statute of limitation. This Court agrees with the reasoning behind that decision and finds the statute of limitation was tolled and that Plaintiffs may seek damages as far back as they have asked for, back to February 20, 1971.

The claim for laches is based on a letter of July 30, 1974, which was sent to Defendant by an attorney for the Plaintiff Local.[3] This letter purported to terminate the then current collective bargaining agreement.

Apparently, Plaintiff Local and Defendant were having difficulties at that time and the Business Manager of Plaintiff Local instructed the attorney to send the letter. Subsequently, at the behest of Defendant's President, a meeting was held, the difficulties were ironed out, it was agreed that the letter would be withdrawn and no strike would take place. Moreover, Defendant continued to employ the same employees that were covered by the current collective bargaining agreement and continued to make remittances of dues and fund contributions without skipping a beat.

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[3] Defendant has also alleged estoppel but if there is any difference between laches and estoppel, the Court sees no significant difference in this instance.

If there are any laches in this instance, they must run against Defendant. Defendant cannot be allowed to *continue* to plead the termination of a contract when it continued to accept the benefits of that contract years after the purported termination of the contract. To do so would be fundamentally unfair to the Plaintiffs. This the law will not allow.

Proper Payment of Dues and Contributions

The difficulties between the Plaintiffs and Defendant mentioned above were apparently ongoing. In an effort to put the major disputes in dollar and cents terms, the Plaintiffs authorized an audit of Defendant's books and records. This audit was commenced without objection of the Defendant pursuant to a provision of the Trust Agreement of Plaintiff Pension Fund which Defendant had agreed to be bound by when it signed the Participating Agreement. The audit was performed over a one working week period in early February, 1976.

During the audit, Defendant's President refused to turn over to the auditor the weekly time reports of its employees and its contracts with clients. Without these records, it was impossible for the auditor to discern the duties of the individual employees and the work performed on the various jobs.

The auditor went ahead with the audit and on June 3, 1976, Defendant was presented with a bill for dues, contributions and costs of the audit along with a copy of the transcribed work papers of the audit.

The costs and expenses of the audit that were billed were $11,554.66. The Pension Fund contributions billed were in the sum of $63,114.33. The Welfare Fund contributions billed were $41,198.00 And the working dues came to a total of $7,371.27.

Upon the failure of Defendant to pay these sums by July 2, 1976, as requested on June 3, 1976, this civil action was commenced on July 12, 1976.

In 1977, Defendant had prepared what amounts to a rebuttal audit. The differences between the two audits are essentially based on differing interpretations of the coverage clauses of the Collective Bargaining Agreements as set out above.[4]

Defendant's rebuttal assumed that the Collective Bargaining Agreement covered employees who were members of Plaintiff Local and who were working on cross-country pipeline jobs. Plaintiffs say that the agreements speak for themselves and are clear and unambiguous.

The Court agrees with Plaintiffs. Moreover, the clear language of these contracts has been upheld by a court before. The Court in *Forrest Bugher, et al vs. Cleveland X-Ray Inspection and Cleveland Industrial Testing, Inc.*, (Case No. C-77-186-B, N.D. Oklahoma, Nov. 22, 1978) held that the same language that is before this Court meant what it said. That all employees engaged in field nondestructive testing were covered by the contract, not just union members who worked on cross-country pipelines.

The dictionary definition of "field,"

> (An area where practical work is done as by a social worker, geologist, etc., away from the central office laboratory, or the like . . .,[5]

does seem to be sufficient.

Defendant has contended that there have been parole agreements which have modified the usage of the term "field" or that it has a special meaning in the nondestructive testing business. Besides trying to change the terms of a written contract without a showing of a new consideration, the Court does not find the facts to be as

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[4] Plaintiffs have conceded an error in the sum of $3,272.40 for Pension Fund contributions.

[5] Webster's New World Dictionary 519, at 8.a (2nd College Ed. 1970).

alleged by Defendant. Before the substantial change in the coverage clause in the 1977-1980 contract, it appears that Defendant and Plaintiff Union were in a cat and mouse game. Plaintiff Union tried to enforce the written contract as best it could *in the face of Defendant* but was not always successful.

Also, the contracts are clear in stating that "employees" are covered, not just union members. This language, too, speaks for itself. Moreover, it would appear that this language is mandatory. The Labor-Management Relations Act makes it mandatory that a labor union represent all the employees of a bargaining unit, not just the union members.[6]

As to hours worked, the contracts are clear in guaranteeing 40 hours per week per employee in Article VII, paragraph 11.

So Defendant is liable to Plaintiffs for contributions due for all employees working on nondestructive testing in the field on a 40-hour per week basis.

The differences between Plaintiffs' audit and Defendant's rebuttal audit may be attributable to two things. First, Defendant's refusal to remit contributions and dues on the above basis. Second, any inaccuracies in Plaintiff's audit that were caused by Defendant's unwillingness to turn over its records to the auditor.

So the Court finds that it accepts the assumptions underlying Plaintiffs' audit and rejects Defendant's counter-audit. Judgment will therefore be given in the sums shown on Plaintiff's audit minus the credit mentioned in footnote 4.

The Court will also retain jurisdiction of this Civil Action and order the Defendant to submit to a further audit so that Plaintiffs' recovery shall be complete.

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[6] 29 U.S.C. § 159.

Plaintiffs have prayed for attorneys' fees and other costs. The Court concludes that under 29 U.S.C. § 1132(g) and its equitable powers, that it can, and it should, award the attorneys' fees, interest and costs, including auditors' fees, requested by the Plaintiffs and stipulated to be reasonable by Defendant in full.

Plaintiffs' counsel are requested to propose a form of Judgment in line with the rulings of this opinion.

_____

United States District Judge

June 2, 1981
Date

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

Civil Action No. CA-3-76-0929-C

FORREST BUGHER, RICHARD WREN, REESE HAMMOND, J.A. MCMAHON, A.W. MCINTYRE, HAILEY ROBERTS, JOHN E. CULLERTON and RICHARD DENNIS, as Trustees of the CENTRAL PENSION FUND OF THE INTERNATIONAL UNION OF OPERATING ENGINEERS AND PARTICIPATING EMPLOYERS,

and

CARL B. PRATT, VERGIL BELFI, JOHN FAUST and HAROLD B. HUHN, as Trustees of the HEALTH AND WELFARE FUND OF LOCAL 2, INTERNATIONAL UNION OF OPERATING ENGINEERS and INTERNATIONAL UNION OF OPERATING ENGINEERS, LOCAL NO. 2, AFL-CIO

vs.

CONSOLIDATED X-RAY SERVICE CORP.

FINAL JUDGMENT AND ORDER

The above styled and captioned Civil Action came on for trial in open Court, and the parties were heard to present their pleadings, their evidence, and arguments of Counsel, including Briefs and Supplemental Briefs filed by both the Plaintiffs and the Defendant, whereupon the Court in due course, entered the Opinion of June 2, 1981, containing findings of fact and conclusions of law.

As is more particularly set forth in the Pleadings, and Briefs, and the Opinion of the Court previously filed, the Defendant has been bound unto the Plaintiffs for contributions to the Plaintiff Funds, and unto the Plaintiff Union for withheld dues, by virtue of Collective Bargaining Contracts beginning in 1968 and successively re-

newed triennially, the current Collective Bargaining Contract being in force and effect until 1983.

Based upon Section 301 of the National Labor Relations Act, 29 U.S.C., 185, the Court finds jurisdiction by virtue of the express grant therein, and concurrently, the Court finds jurisdiction pursuant to the Employee Retirement Income Security Act of 1974, 29 U.S.C., 1132.

As established at the trial of this cause, and more particularly set forth in the Opinion of June 2, 1981, the Court finds that the Defendant is indebted to the Plaintiffs in the following amounts:

Pension Fund ($63,114.33, less $3,272.40 credit)

Pension Fund	$59,841.93
Welfare Fund	$41,198.00
Working Dues	$ 7,371.27
Audit Expenses	$11,554.66
Attorney's Fees	$39,375.00

Judgment is accordingly entered for Plaintiffs in the amount of $159,340.86, together with interest thereon, from the date each delinquent monthly contribution came due, at the rate of 10 percent per annum, compounded annually for the audit period of February 20, 1971 through December 31, 1975, together with all costs of Court incurred, and with interest at the aforesaid rate, from the date of entry of this Judgment until satisfaction or execution thereof.

Pursuant to Rule 54(b), the Court finds no just cause for delay in the entry of this Judgment as part of a multitple claim. Accordingly, the foregoing Judgment is hereby entered as a Final Judgment, for which Plaintiffs are awarded execution.

As a separate claim, Plaintiffs seek injunctive relief requiring the Defendant to submit appropriate books and records for the period beginning with the end of the previous audit and to the current date. As set forth in

the Opinion, the Court concludes that Plaintiffs are entitled to such supplemental audit, and it is accordingly

ORDERED, ADJUDGED, AND DECREED, that Defendant shall be, and hereby is, enjoined from failing and refusing to supply and make available for inspection by Plaintiffs, and Plaintiff's Auditors, at Plaintiff's place of business, for purposes of a supplemental audit, each and every document, record or ledger reasonably necessary for a determination of the amounts, if any, due Plaintiffs for the period beginning with the day first following the previous audit through the payroll period immediately preceding such supplemental audit. Such documents shall include, but not be limited to, Payroll Ledgers, State Unemployment Returns, Service Contracts, Time and Expense Sheets, Weekly Time Reports, Radiation Exposure Records, Job Classification Documents, Earnings Records, reports submitted to the Internal Revenue Service, work assignments, work classifications and expense vouchers and shall be offered within 30 days of entry of this Order. Within 30 days thereafter, Plaintiffs shall file with the Clerk of this Court a verified audit setting forth any amounts claimed due and owing, and Defendants shall have 30 days in which to submit objections or a rebuttal audit. The findings of the Court heretofore entered shall be binding for purposes of determining inclusion or exclusion of personnel, and for purposes of construing contract language.

Upon submission of such supplemental audit and any response thereto, the Court shall enter such Judgment as may be due unto Plaintiffs, including supplemental audit fees, and reasonable Attorney's fees incurred by Plaintiffs since September 30, 1980, together with interest and costs of Court.

DATED: July 2, 1981.

United States District Judge

APPENDIX C

UNITED STATES COURT OF APPEALS
FIFTH CIRCUIT

No. 81-1349

FORREST BUGHER, *et al.*,
Plaintiff-Appellee,

v.

CONSOLIDATED X-RAY SERVICE CORPORATION,
Defendant-Appellant.

Aug. 12, 1983

Appeal from the United States District Court
for the Northern District of Texas;
W.M. Taylor, Jr., Judge

On Petition for Rehearing and Suggestion for
Rehearing En Banc

(May 31, 1983, slip op. 4727, 705 F.2d 1426)

Before BROWN, RANDALL and TATE, Circuit Judges.

PER CURIAM:

No member of this panel nor judge in regular active service on the Court having requested that the Court be polled on rehearing en banc, the Suggestion for Rehearing En Banc is DENIED.

We write today to clarify one aspect of our opinion in this case. This point is not raised in either appellant's Petition for Rehearing or its Suggestion for Rehearing En Banc.

In *National Stabilization Agreement v. Commercial Roofing & Sheet Metal*, 655 F.2d 1218 (D.C. Cir. 1981), the D.C. Circuit held that an employer may not successfully assert the invalidity of the trustee selection process as a defense to an action for delinquent trust fund contributions. This Court cited that decision approvingly in *Central Florida Sheet Metal Contractors Association, Inc. v. NLRB*, 664 F.2d 489, 498 (5th Cir. 1981).

In the present case, a collection suit for delinquent contributions, Consolidated contended that the Pension Fund contribution provisions of the collective bargaining agreements were unenforceable because, among other things, the trustee selection and replacement process allowed the Union to control the Fund, in violation of 29 U.S.C. § 186(c)(5). We refused to consider this and other objections to the structure of the Pension Fund on the grounds that Consolidated had waived those objections by failing to raise them before the district court, 515 F.Supp. 1180. Our decision on that issue was based entirely upon Consolidated's failure to plead, under F.R. Civ.P. 8(c), the supposed illegality, due to structural defects in the Fund, of the collective bargaining agreements' contribution provisions. We did not consider the issue of whether flaws in the trustee selection and replacement process may in fact serve as a defense to a collection suit for delinquent trust fund contributions.

The Petition for Rehearing is also DENIED.

APPENDIX D

AN ACT
THE NATIONAL LABOR RELATIONS ACT

* * * *

Title III
SUITS BY AND AGAINST LABOR ORGANIZATIONS

SEC. 301. (a) Suits for violation of contracts between an employer and a labor organization representing employees in an industry affecting commerce as defined in this chapter, or between any such labor organizations, may be brought in any district court of the United States having jurisdiction of the parties, without respect to the amount in controversy or without regard to the citizenship of the parties.

(b) Any labor organization which represents employees in an industry affecting commerce as defined in this chapter and any employer whose activities affect commerce as defined in this chapter shall be bound by the acts of its agents. Any such labor organization may sue or be sued as an entity and in behalf of the employees whom it represents in the courts of the United States. Any money judgment against a labor organization in a district court of the United States shall be enforceable only against the organization as an entity and against its assets, and shall not be enforceable against any individual member or his assets.

(c) For the purposes of actions and proceedings by or against labor organizations in the district courts of the United States, district courts shall be deemed to have jurisdiction of a labor organization (1) in the district in which such organization maintains its principal office, or (2) in any district in which its duly authorized officers or agents are engaged in representing or acting for employee members.

(d) The service of summons, subpena, or other legal process of any court of the United States upon an officer or agent of a labor organization, in his capacity as such, shall constitute service upon the labor organization.

(e) For the purposes of this section, in determining whether any person is acting as an "agent" of another person so as to make such other person responsible for his acts, the question of whether the specific acts performed were actually authorized or subsequently ratified shall not be controlling.

RESTRICTIONS ON PAYMENTS TO EMPLOYEE REPRESENTATIVES

Sec. 302. (a) It shall be unlawful for any employer or association of employers or any person who acts as a labor relations expert, adviser, or consultant to an employer or who acts in the interest of an employer to pay, lend, or deliver, or agree to pay, lend, or deliver, any money or other thing of value—

(1) to any representative of any of his employees who are employed in an industry affecting commerce; or

(2) to any labor organization or any officer or employee thereof, which represents, seeks to represent, or would admit to membership, any of the employees of such employer who are employed in an industry affecting commerce; or

(3) to any employee or group or committee of employees of such employer employed in an industry affecting commerce in excess of their normal compensation for the purpose of causing such employee or group or committee directly or indirectly to influence any other employees in the exercise of the right to organize and bargain collectively through representatives of their own choosing; or

(4) to any officer or employee of a labor organization engaged in an industry affecting commerce with in-

tent to influence him in respect to any of his actions, decisions, or duties as a representative of employees or as such officer or employee of such labor organization.

(b) (1) It shall be unlawful for any person to request, demand, receive, or accept, or agree to receive or accept, any payment, loan, or delivery of any money or other thing of value prohibited by subsection (a).

(2) It shall be unlawful for any labor organization, or for any person acting as an officer, agent, representative, or employee of such labor organization, to demand or accept from the operator of any motor vehicle (as defined in part II of the Interstate Commerce Act) employed in the transportation of property in commerce, or the employer of any such operator, any money or other thing of value payable to such organization or to an officer, agent, representative or employee thereof as a fee or charge for the unloading, or in connection with the unloading, of the cargo of such vehicle: *Provided*, That nothing in this paragraph shall be construed to make unlawful any payment by an employer to any of his employees as compensation for their services as employees.

(c) The provisions of this section shall not be applicable (1) in respect to any money or other thing of value payable by an employer to any of his employees whose established duties include acting openly for such employer in matters of labor relations or personnel administration or to any representative of his employees, or to any officer or employee of a labor organization, who is also an employee or former employee of such employer, as compensation for, or by reason of, his service as an employee of such employer; (2) with respect to the payment or delivery of any money or other thing of value in satisfaction of a judgment of any court or a decision or award of an arbitrator or impartial chairman or in compromise, adjustment, settlement, or release of any claim, complaint, grievance, or dispute in the absence of fraud or duress; (3) with respect to the sale or

purchase of an article or commodity at the prevailing market price in the regular course of business; (4) with respect to money deducted from the wages of employees in payment of membership dues in a labor organization: *Provided*, That the employer has received from each employee, on whose account such deductions are made, a written assignment which shall not be irrevocable for a period of more than one year, or beyond the termination date of the applicable collective agreement, whichever occurs sooner; (5) with respect to money or other thing of value paid to a trust fund established by such representative, for the sole and exclusive benefit of the employees of such employer, and their families and dependents (or of such employees, families, and dependents jointly with the employees of other employers making similar payments, and their families and dependents): *Provided*, That (A) such payments are held in trust for the purpose of paying, either from principal or income or both, for the benefit of employees, their families and dependents, for medical or hospital care, pensions on retirement or death of employees, compensation for injuries or illness resulting from occupational activity or insurance to provide any of the foregoing, or unemployment benefits or life insurance, disability and sickness insurance, or accident insurance; (B) the detailed basis on which such payments are to be made is specified in a written agreement with the employer, and employees and employers are equally represented in the administration of such fund, together with such neutral persons as the representatives of the employers and the representatives of employees may agree upon and in the event the employer and employee groups deadlock on the administration of such fund and there are no neutral persons empowered to break such deadlock, such agreement provides that the two groups shall agree on an impartial umpire to decide such dispute, or in event of failure to agree within a reasonable length of time, an impartial umpire to decide such dispute shall, on petition of either group,

be appointed by the district court of the United States for the district where the trust fund has its principal office, and shall also contain provisions for an annual audit of the trust fund, a statement of the results of which shall be available for inspection by interested persons at the principal office of the trust fund and at such other places as may be designated in such written agreement; and (C) such payments as are intended to be used for the purpose of providing pensions or annuities for employees are made to a separate trust which provides that the funds held therein cannot be used for any purpose other than paying such pensions or annuities; (6) with respect to money or other thing of value paid by any employer to a trust fund established by such representative for the purpose of pooled vacation, holiday, severance or similar benefits, or defraying costs of apprenticeship or other training programs: *Provided*, That the requirements of clause (B) of the proviso to clause (5) of this subsection shall apply to such trust funds; (7) with respect to money or other thing of value paid by any employer to a pooled or individual trust fund established by such representative for the purpose of (A) scholarships for the benefit of employees, their families, and dependents for study at educational institutions, or (B) child care centers for preschool and school age dependents of employees: *Provided*, that no labor organization or employer shall be required to bargain on the establishment of any such trust fund, and refusal to do so shall not constitute an unfair labor practice: *Provided further*, That the requirements of clause (B) of the proviso to clause (5) of this subsection shall apply to such trust funds; or (8) with respect to money or any other thing of value paid by any employer to a trust fund established by such representative for the purpose of defraying the costs of legal services for employees, their families, and dependents for counsel or plan of their choice: *Provided*, that the requirements of clause (B) of the proviso to clause (5) of this subsection shall apply to such

trust funds: *Provided further*, that no such legal service shall be furnished: (A) to initiate any proceeding directed (i) against any such employer or its officers or agents except in workman's compensation cases, or (ii) against such labor organization, or its parent or subordinate bodies, or their officers or agents, or (iii) against any other employer or labor organization, or their officers or agents, in any matter arising under Subchapter II of this chapter or this chapter; and (B) in any proceeding where a labor organization would be prohibited from defraying the costs of legal services by the provisions of the Labor-Management Reporting and Disclosure Act of 1959; or (9) with respect to money or other things of value paid by an employer to a plant, area or industrywide labor management committee established for one or more of the purposes set forth in section 5(b) of the Labor Management Cooperation Act of 1978.

(d) Any person who willfully violates any of the provisions of this section shall, upon conviction thereof, be guilty of a misdemeanor and be subject to a fine of not more than $10,000 or to imprisonment for not more than one year, or both.

(e) The district courts of the United States and the United States courts of the Territories and possessions shall have jurisdiction, for cause shown, and subject to the provisions of section 381 of Title 28 (relating to notice to opposite party) to restrain violations of this section, without regard to the provisions of section 17 of Title 15 and section 52 of this title, and the provisions of chapter 6 of this title.

(f) This section shall not apply to any contract in force on June 23, 1947, until the expiration of such contract, or until July 1, 1948, whichever first occurs.

(g) Compliance with the restrictions contained in subsection (c)(5)(B) upon contributions to trust funds,

otherwise lawful, shall not be applicable to contributions to such trust funds established by collective agreement prior to January 1, 1946, nor shall subsection (c) (5) (A) be construed as prohibiting contributions to such funds if prior to January 1, 1947, such funds contained provisions for pooled vacation benefits.

EMPLOYEE RETIREMENT INCOME SECURITY PROGRAM

SEC. 502

(a) Persons empowered to bring a civil action

A civil action may be brought—

(1) by a participant or beneficiary—

(A) for the relief provided for in subsection (c) of this section, or

(B) to recover benefits due to him under the terms of his plan, to enforce his rights under the terms of the plan, or to clarify his rights to future benefits under the terms of the plan;

(2) by the Secretary, or by a participant, beneficiary or fiduciary for appropriate relief under section 1109 of this title;

(3) by a participant, beneficiary, or fiduciary (A) to enjoin any act or practice which violates any provision of this subchapter or the terms of the plan, or (B) to obtain other appropriate equitable relief (i) to redress such violations or (ii) to enforce any provisions of this subchapter or the terms of the plan;

(4) by the Secretary, or by a participant, or beneficiary for appropriate relief in the case of a violation of 1025(c) of this title;

(5) except as otherwise provided in subsection (b) of this section, by the Secretary (A) to enjoin any act or practice which violates any provision of this subchapter, or (B) to obtain other appropriate equitable relief (i) to redress such violation or (ii) to enforce any provision of this subchapter; or

(6) by the Secretary to collect any civil penalty under subsection (i) of this section.

(b) Plans qualified under Internal Revenue Code; maintenance of actions involving delinquent contributions

(1) In the case of a plan which is qualified under section 401(a), 403(a), or 405(a) of title 26 (or with respect to which an application to so qualify has been filed and has not been finally determined) the Secretary may exercise his authority under subsection (a)(5) of this section with respect to a violation of, or the enforcement of, parts 2 and 3 of this subtitle (relating to participation, vesting, and funding), only if—

(A) requested by the Secretary of the Treasury, or

(B) one or more participants, beneficiaries, or fiduciaries, of such plan request in writing (in such manner as the Secretary shall prescribe by regulation) that he exercise such authority on their behalf. In the case of such a request under this paragraph he may exercise such authority only if he determines that such violation affects, or such enforcement is necessary to protect, claims of participants or beneficiaries to benefits under the plan.

(2) The Secretary shall not initiate an action to enforce section 1145 of this title.

(c) Administrator's refusal to supply requested information

Any administrator who fails or refuses to comply with a request for any information which such administrator is required by this subchapter to furnish to a participant or beneficiary (unless such failure or refusal results from matters reasonably beyond the control of the administrator) by mailing the material requested to the last known address of the requesting participant or beneficiary within 30 days after such request may in the court's discretion be personally liable to such participant or beneficiary in the amount of up to $100 a day from the date

of such failure or refusal, and the court may in its discretion order such other relief as it deems proper.

(d) Status of employee benefit plan as entity

(1) An employee benefit plan may sue or be sued under this subchapter as an entity. Service of summons, subpena, or other legal process of a court upon a trustee or an administrator of an employee benefit plan in his capacity as such shall constitute service upon the employee benefit plan. In a case where a plan has not designated in the summary plan description of the plan an individual as agent for the service of legal process, service upon the Secretary shall constitute such service. The Secretary, not later than 15 days after receipt of service under the preceding sentence, shall notify the administrator or any trustee of the plan of receipt of such service.

(2) Any money judgment under this subchapter against an employee benefit plan shall be enforceable only against the plan as an entity and shall not be enforceable against any other person unless liability against such person is established in his individual capacity under this subchapter.

(e) Jurisdiction

(1) Except for actions under subsection (a) (1) (B) of this section, the district courts of the United States shall have exclusive jurisdiction of civil actions under this subchapter brought by the Secretary or by a participant, beneficiary, or fiduciary. State courts of competent jurisdiction and district courts of the United States shall have concurrent jurisdiction of actions under subsection (a) (1) (B) of this section.

(2) Where an action under this subchapter is brought in a district court of the United States, it may be brought in the district where the plan is administered, where the

breach took place, or where a defendant resides or may be found, and process may be served in any other district where a defendant resides or may be found.

(f) Amount in controversy; citizenship of parties

The district courts of the United States shall have jurisdiction, without respect to the amount in controversy or the citizenship of the parties, to grant the relief provided for in subsection (a) of this section in any action.

(g) Attorney's fees and costs; awards in actions involving delinquent contributions

(1) In any action under this subchapter (other than an action described in paragraph (2)) by a participant, beneficiary, or fiduciary, the court in its discretion may allow a reasonable attorney's fee and costs of action to either party.

(2) In any action under this subchapter by a fiduciary for or on behalf of a plan to enforce section 1145 of this title in which a judgment in favor of the plan is awarded, the court shall award the plan—

(A) the unpaid contributions,

(B) interest on the unpaid contributions,

(C) an amount equal to the greater of—

(i) interest on the unpaid contributions, or

(ii) liquidated damages provided for under the plan in an amount not in excess of 20 percent (or such higher percentage as may be permitted under Federal or State law) of the amount determined by the court under subparagraph (A),

(D) reasonable attorney's fees and costs of the action, to be paid by the defendant, and

(E) such other legal or equitable relief as the court deems appropriate.

For purposes of this paragraph, interest on unpaid contributions shall be determined by using the rate provided under the plan, or, if none, the rate prescribed under section 6621 of title 26.

(h) Service upon Secretary of Labor and Secretary of the Treasury

A copy of the complaint in any action under this subchapter by a participant, beneficiary, or fiduciary (other than an action brought by one or more participants or beneficiaries under subsection (a)(1)(B) of this section which is solely for the purpose of recovering benefits due such participants under the terms of the plan) shall be served upon the Secretary and the Secretary of the Treasury by certified mail. Either Secretary shall have the right in his discretion to intervene in any action, except that the Secretary of the Treasury may not intervene in any action under part 4 of this subtitle. If the Secretary brings an action under subsection (a) of this section on behalf of a participant or beneficiary, he shall notify the Secretary of the Treasury.

(i) Administrative assessment of civil penalty

In the case of a transaction prohibited by section 1106 of this title by a party in interest with respect to a plan to which this part applies, the Secretary may assess a civil penalty against such party in interest. The amount of such penalty may not exceed 5 percent of the amount involved (as defined in section 4975(f)(4) of title 26); except that if the transaction is not corrected (in such manner as the Secretary shall prescribe by regulation, which regulations shall be consistent with section 4975(f)(5) of title 26) within 90 days after notice from the Secretary (or such longer period as the Secretary may permit), such penalty may be in an amount not more

than 100 percent of the amount involved. This subsection shall not apply to a transaction with respect to a plan described in section 4975(e)(1) of title 26.

(j) Direction and control of litigation by Attorney General

In all civil actions under this subchapter, attorneys appointed by the Secretary may represent the Secretary (except as provided in section 518(a) of title 28), but all such litigation shall be subject to the direction and control of the Attorney General.

(k) Jurisdiction of actions against the Secretary of Labor

Suits by an administrator, fiduciary, participant, or beneficiary of an employee benefit plan to review a final order of the Secretary, to restrain the Secretary from taking any action contrary to the provisions of this chapter, or to compel him to take action required under this subchapter, may be brought in the district court of the United States for the district where the plan has its principal office, or in the United States District Court for the District of Columbia.

SEC. 515 Delinquent contributions

Every employer who is obligated to make contributions to a multiemployer plan under the terms of the plan or under the terms of a collectively bargained agreement shall, to the extent not inconsistent with law, make such contributions in accordance with the terms and conditions of such plan or such agreement.